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The Director of Central Intelligence
Washington, D.C. 20505

National Intelligence Council

NIC 00207-89
8 March 1989

MEMORANDUM FOR: See Distribution

FROM: Deane E. Hoffmann
National Intelligence Officer for Economics

SUBJECT: The Mexican Debt Situation

The attached memorandum represents the sense of the Intelligence Community on the Mexican position for renegotiating debt. It is clear that Salinas is very serious -- more so than his predecessor -- about needing debt relief to achieve his domestic economic and political objectives.


Deane E. Hoffmann

Attachment:
As stated

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The Mexican Debt Situation: A Community Memorandum*

President Salinas is serious about debt reduction. He believes that he is undertaking significant economic reform at home and that a major reduction in either the principal owed or the interest due on foreign commercial debt is a logical quid pro quo to aid his efforts and restore economic growth. [REDACTED]

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*This memorandum was prepared at the request of the National Intelligence Officer for Economics and represents the coordinated views of representatives from the Central Intelligence Agency, Defense Intelligence Agency, National Security Agency, and intelligence organizations of the Departments of State, the Treasury, and the Navy. [REDACTED]

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[redacted] the Mexicans want some sort of agreement by July. Because the current economic program expires in July and there are key and perhaps contentious elections at that time, it will be a critical month for Mexico. Salinas' hand could be pushed before then if capital flight picked up, there were a wave of labor strikes, or if the US congressional certification process on narcotics incited strong anti-US sentiment within Mexico. [redacted]

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Salinas does not want to increase the rate of devaluation of the peso vis-a-vis the dollar out of concern for rekindling inflation. The present price and wage agreement is very fragile and he does not want the inflationary pressure of a devaluation. Such pressure would cause a wave of demands for wage increases, which could result in strikes and threaten Salinas' year-old anti-inflation program. [redacted]

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